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C O N F I D E N T I A L SECTION 01 OF 05 SEOUL 001204

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SUBJECT: TURBULENT TIMES FOR PRESIDENT LEE: CAN HE RECOVER?

REF: A. SEOUL 001145

[1](#)B. SEOUL 001153

[1](#)C. SEOUL 001174

Classified By: AMB Alexander S. Vershbow. Reasons 1.4 (b,d).

[1](#)1. (C) SUMMARY: President Lee Myung-bak is only four months into his five-year term in office and already he has hit historically low popularity ratings of around 10 percent. Lee's first 100 days have been a crash course in political reality. The public's disappointment with the new administration's handling of state affairs and perception that the Blue House disregards public opinion have virtually crippled the administration, and the six weeks of candlelight vigils have paralyzed decision-making, raising real concerns about Korea's governability in the years ahead. Bitter intra-party feuding and an opposition with nothing to lose have all made it harder for President Lee to exert control. Over the past month, the decision to restart imports of U.S. beef has become the vehicle through which South Koreans are expressing their anger. President Lee cannot rebuild his credibility until this storm passes, and we need to help Lee defuse the beef issue without crossing our red lines. We should also help vindicate his original decision on beef by making an all-out effort to get the KORUS FTA ratified by Congress by year end.

[1](#)2. (C) Even then, Lee will find it difficult to make progress on his domestic agenda or on a host of potentially controversial alliance issues, including the Special Measures Agreement (SMA) negotiations, camp returns, USFK relocation, and possibly FTA ratification by the National Assembly. Efforts to promote robust ROK participation in international efforts in Iraq and Afghanistan as well as the Proliferation Security Initiative (PSI) are also likely to become much more difficult for the foreseeable future. Even if we weather this storm, we may need to lower expectations for the "21st Century Alliance," since Lee will be a crippled leader for some time to come. END SUMMARY.

Problems Out of the Gate

[1](#)3. (C) Lee used his CEO instincts to staff the cabinet and the Blue House with the "best of the best" but instead he brought in an elite team that was derided from the get-go for their patrician credentials. Even before taking office, Lee was criticized for his cabinet choices, as many of his

nominees came from wealthy backgrounds -- most were members of Lee's church, alumni of his alma mater Korea University, and from his home province of Gyeongsang. According to a mandatory disclosure report for government officials, members of Lee's cabinet were almost twice as wealthy as their predecessors. Progressive press began to sow doubts that Lee genuinely had the average South Korean's interests at heart, especially when four of his appointees had to step down during nomination hearings due to allegations of ethical lapses and illegal real estate speculation. Personnel problems continued in May when Lee's Blue House Chief of Social Policy was forced to resign under charges of illegal land speculation. (NOTE: The current top staff members in the Blue House have an average net worth of around 4 million USD. END NOTE.)

Conservatives Split

14. (C) Not only has President Lee failed to build public consensus, but his failure to unite the conservatives continues to dog his administration. Although Lee won an unprecedented margin of victory in the December presidential election (48.7 percent of the vote to 26.3 percent for his closest rival), he had only eked out his party's nomination in the presidential primary. His rival, Park Geun-hye, retains a great amount of support within the party as well as enormous popular appeal in the country. Instead of working with Park to unite the Grand National Party (GNP), Lee and his top aides worked to exclude politicians loyal to Park

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from gaining nominations in the April 9 National Assembly election. Lee was successful in excluding some Park loyalists, but his direct involvement in the nomination process and the bitter infighting caused many traditional conservatives to turn away from Lee. Continued infighting with Park gave the impression that he was unwilling to work with those who might oppose his ideas. The GNP only obtained a slim majority -- 153 seats out of 299 -- far short of earlier predictions that projected the GNP winning as many as 200 seats; conservative candidates outside the GNP won an additional 47 seats, demonstrating that conservative voters, especially Park Geun-hye supporters, were fed up with the GNP controlled by President Lee's faction.

Election Baggage

15. (C) Issues held over from the December presidential election continue to spur public frustration. Most notably, Lee's promises to supercharge the economy are increasingly difficult to realize in a slowing global economy. Lee was elected on his pledge to grow the economy by seven percent, but has been forced to dial down his promises because of larger economic factors at play, such as rising world oil and food prices and a slowing U.S. economy. Prices for everyday goods such as ramen noodles (a staple food for working Koreans and students) have gone up; gasoline is about USD 10 per gallon, angering truckers, commuters and small business owners; and growth projections are being lowered. The policies Lee has announced (such as efforts to monitor the prices of 50 basic goods related to public welfare) have been criticized as being insufficient, overly interventionist, and purely political. Additionally, Lee's efforts to revise regulations to boost investment by Korea's chaebol businesses have done little to assuage public concern that his policies are targeted toward the elite and ignore the plight of the middle and lower classes.

16. (C) Lee has yet to succeed in obtaining public buy-in for any of his policy initiatives. He has announced several new policies without apparently first consulting experts or the public, which has resulted in his ideas being derided and

called "half-baked" and "amateur." The best example of this is Lee's effort to reform Korea's education system -- specifically his efforts to dramatically increase the number of high school classes taught in English. His failure to consult with experts before making the announcement resulted in glaring problems with the initiative, including a dearth of qualified instructors. Lee also failed to carry out his campaign promise to set up physical and online sites as forums for the public to communicate concerns to the President. He did manage to establish a hotline for top executives to speak directly to the president, reinforcing perceptions that Lee has only the elite's interest at heart.

17. (C) Controversy surrounding Lee's ambitious cross-country Grand Canal project resurfaced at the end of May just as the beef controversy was coming to a head. Despite the fact that 67 percent of the public disapproved of the canal, shortly after Lee's inauguration the then minister-designate for Land and Oceans sparked heated criticism by stating that he would definitely undertake the project. Lee later suggested that he would postpone construction and his party even went so far as to drop it from its platform ahead of the general election. In late March and again in early May, however, revelations that the ROKG had no intention of abandoning the canal project intensified public condemnation that the Lee Administration refused to listen to the voice of the people.

Mismanaging Beef

18. (C) If all these issues led to a sense of dissatisfaction with Lee's early performance, the decision to reopen the market to U.S. beef, and the government's mishandling of the issue, proved to be a catalyst that galvanized Korean public opinion. In thinking about moving forward on beef during the transition and early days of the new administration, Lee had

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several key goals: to proceed with an agreement that was largely in line with what the Roh Administration had quietly discussed with us, to wait until after the April 9 legislative elections to publicly announce the negotiations; and to prepare a set of support measures to help the Korean beef industry (which was expected to be the principal source of opposition) to adjust. However, not enough was done to prepare the Korean public for the move from the government's historic position (that many questions remained about the safety of U.S. beef) -- not by MOFAT, which saw its role as negotiating the deal with the USG; not by the Agricultural Ministry, which continued to hope to the end that the market would remain closed; and not by the Blue House, which had further tied its hands by dismantling much of the public and media outreach operations it inherited from the Roh Government, in the interest of cost-cutting. To the Korean public, the dramatic shift in the ROKG's public posture on U.S. beef, coming at the end of a tough week-long negotiation and concluding the night before President Lee was to meet with President Bush, seemed to demonstrate that the safety concerns of the Korean public were being tossed aside so Lee could enjoy an historic summit at Camp David.

19. (C) After the beef deal was announced and released for public comment, public opposition quickly grew in a way that reflected some uniquely Korean characteristics. Misinformation about the safety of U.S. beef, much of it peddled by activist groups with a broader political agenda, was disseminated on cell phone text messages (which for many Korean youths have more credibility than established media, since they are "independent"). Students played a dominant role in the early protests, saying that eating U.S. beef wasn't a matter of consumer choice (as Lee had early-on argued) since students would have no choice but to eat the allegedly BSE-infected U.S. beef that Korean school cafeterias (and military messes) would serve. As concern about U.S. beef spread from students to the mainstream

population, the government's missteps exacerbated the situation. Agriculture Ministry officials, uncertain about the text of the beef agreement during a parliamentary hearing, suggested that their confusion stemmed from not understanding the English language used during the negotiation -- both incorrect (the negotiations were conducted with consecutive interpretation) and hardly a way to build public confidence in the bilateral agreement that ensued.

¶10. (C) While the beef issue would probably have benefited from some benign neglect -- at least until Lee's GNP allies took control of the National Assembly on May 30 -- the Lee Government instead proceeded with its efforts to force FTA ratification through the National Assembly in a May lame-duck session, providing the opposition United Democratic Party (UDP), in majority at the time, a spectacular platform to grandstand against the beef deal and insist that it be renegotiated. Turning water cannons on the protestors brought back unpleasant memories of past governments, and enabled the protestors to present themselves as fighters for Korean democracy.

¶11. (C) To its credit, the Lee Government has tried to do the right thing on beef, and has resisted the calls for renegotiation of the beef deal that have come in from protestors, the political opposition, and the GNP alike. Lee and his top advisors continue to believe that once a temporary solution is found, a line can be drawn under this crisis, the Korean public can be educated about the safety of U.S. beef, the market fully reopened, and the KORUS FTA teed up for ratification. However, the general disarray within the government, the chaos in the streets, and the fact that the protestors have made Lee himself the issue, have all made it difficult for the government to defend its position and challenge the allegations of the protestors. Instead, the government has found itself chasing after the moving goalposts of NGO demands, trying to address each new allegation as it arises. It is clear the NGO groups in the "BSE Beef Alliance" (many of whom are also opposed to the KORUS FTA, and see killing the beef deal as one of their best ways to sink the FTA in Washington, since it continues to enjoy majority support in Korea) will not be content until

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Lee backs down and abrogates the beef deal (and/or formally requests renegotiation). The Lee Government's good-faith efforts to address their concerns have only emboldened these groups. It is equally clear that while we should try to help Lee find a temporary solution to this problem -- including agreeing to temporary limitations on export of the most sensitive beef products, without crossing any red lines -- no matter how the beef situation is resolved, it has crystallized a critique of Lee's governance that will weaken him, and provide a rallying cry for his opponents, for some time to come.

Lee is Floundering

¶12. (C) The recent outpouring of disapproval over the beef issue has become the rallying cry enabling South Koreans to express their cumulative frustration with the Lee Administration. The grassroots protests have focused mostly on a sense that the government was willing to sacrifice the health of the people in the interest of maintaining strong ties to the U.S. Protest organizers, mostly progressive civic groups, organized labor and farm groups, have made misleading and outright false charges against American beef, aided by several outrageously slanted documentaries on state TV networks still dominated by leftist management. Sadly, many Koreans find these charges credible, because the credibility of the Lee Administration is so low. Educated Koreans do know better and reject these allegations as being unscientific. Still, they are of the view that Lee made a

serious mistake in rushing to open the beef market. What makes the situation much more inflammable is that this was American beef and the agreement was reached hours before the Camp David summit. The perception that President Lee was kowtowing to Washington is a theme much used by leftists and nationalists in the protest, but anti-Americanism is not the principal draw for the mainstream protesters; rather, it's anti-Lee.

¶13. (C) The opposition United Democratic Party (UDP), struggling to find a mode of popular appeal after resounding defeats in both the presidential and the National Assembly elections, has seized on the beef issue in hopes of boosting its own support base. The UDP has demanded that the ROKG renegotiate the beef issue before the party will end its ongoing boycott of the 18th National Assembly. The opposition has used the beef issue to thrust its members back into the limelight, criticizing (and misquoting) both the Lee Administration and the U.S. Government. They have, however, notably not joined in the protesters' demands that Lee be removed from office and have not even floated the idea of impeachment proceedings. Interestingly, all its bluster has gotten it nowhere; UDP support ratings still hover around 20 percent.

¶14. (C) Perhaps even more disturbingly, the ongoing protests do call into question Koreans' respect for the rule of law and their own constitution. Many Koreans view these protests as a shining exemplar of democracy, rather than as the rule of the masses that more informed observers are voicing concerns about. The ability of several thousand protesters -- many of them too young to vote -- to bring Korea's government to a standstill threatens Korean credibility in negotiating other international agreements. More serious still are the long term implications for the governability of Korea. Koreans -- both on the right and the left -- are beginning to express serious concern that the beef hysteria is dangerously empowering the "mob." Unless the ROKG manages to win some control back, many of our interlocutors see a grim picture of protests becoming the norm in deciding the nation's policy.

Alliance on Hold?

¶15. (C) The beef issue will have profound influence on our bilateral relationship in the coming months. First, Lee Myung-bak must rebuild domestic trust in his administration

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before he or his staff can even think about making any progress on ongoing bilateral issues. To rush into any controversial Alliance agreements, our ROKG interlocutors believe, is to open the door on the nascent anti-Americanism that the protests have thus far assiduously avoided. Already the ROKG has taken care to push all ongoing Alliance issues to the back burner. In the last two weeks, the ROK side has postponed some of our bilateral talks -- the regularly-scheduled Strategic Consultations for Allied Partnership (SCAP), the next round of SMA negotiations, and talks on the environmental issues relating to the return of nine USFK camps. SMA and camp returns have long been two of the most sensitive Alliance issues for the Koreans, as they require committing ROK budgetary expenditures and have generated significant criticism for "not standing up to the U.S." on previous occasions. Other issues that the Korean public sees as being on the U.S. "wish list" -- such as continued or expanded ROK participation in Iraq and Afghanistan as well as involvement in the Proliferation Security Initiative (PSI) -- will also prove more difficult to make progress on in the short to medium term.

Comment

¶16. (C) This is a nightmare for Lee Myung-bak. Simply put, he does not know what to do right now. He knows that to give in to the protests is to cripple his administration for the remaining 56 months. Yet, ignoring their demands will only prolong the agony and make him look even weaker. The course he has chosen is a little bit of both: bow to the crowd by apologizing and revising some elements of the beef deal, but not go all the way to a renegotiation of the agreement that would likely kill chances for ratification of the FTA in the U.S. In addition, he will reshuffle the cabinet and his senior staff. Thereafter, Lee must begin the long process of regaining his own credibility. Key to this scenario is getting significant help from the National Assembly, which is possible only if President Lee accepts the reality that he must share power with his fellow conservatives, principally Park Geun-hye.

¶17. (C) At this time President Lee needs our help to come out of the immediate crisis. Our first task must be to stop his political free-fall by agreeing on a beef package that he can sell to his mainstream domestic critics -- satisfying the extremists is not possible, unless Lee resigns. At the same time, we should be prepared to defer our sensitive bilateral issues, such as SMA and camp returns, until the situation has stabilized. Beyond the immediate terms, we must also support and vindicate Lee's original -- and courageous -- decision on beef by making a concerted effort to push for KORUS FTA ratification in the Congress. Our failure to ratify the KORUS FTA will most definitely further weaken the Lee presidency. In the longer term, the damage Lee has suffered from the beef hysteria is such that we might need to reassess our expectations for the "21st Century Strategic Alliance" launched at Camp David because, if the Lee Administration continues on its current course, we will be dealing with a crippled ally for a long time to come.

VERSHBOW